

Message Text

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ACTION EUR-12

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E.O. 11652: N/A

TAGS: ECIN, ENRG, ETRD, PL, UR

SUBJECT: SOVIET-POLISH AGREEMENT ON OIL SUPPLIES

1. SUMMARY: THE SIGNING OF A MULTI-YEAR AGREEMENT
INCREASING SOVIET CRUDE-OIL SUPPLIES TO POLAND IN
EXCHANGE FOR POLISH PARTICIPATION IN CONSTRUCTION
PROJECTS FOR THE SOVIET PETROLEUM INDUSTRY WAS
ANNOUNCED IN THE CENTRAL PRESS ON DECEMBER 7. THE
AGREEMENT WAS SIGNED DECEMBER 6 BY POLISH VICE PREMIER
MIECZYSLAW JAGIELSKI AND SOVIET VICE PREMIER AND
CHAIRMAN OF THE STATE PLANNING COMMISSION NIKOLAI
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BAIBAKOV. BAIBAKOV HEADED A SOVIET DELEGATION WHICH

ARRIVED IN POLAND DECEMBER 6 AND RETURNED TO THE USSR THE NEXT DAY, FOLLOWING A CALL ON FIRST SECRETARY GIEREK AND PRIME MINISTER JAROSZEWICZ. END SUMMARY

2. ACCORDING TO PRESS ACCOUNTS THE AGREEMENT CALLS FOR CONSTRUCTION BY POLISH ENTERPRISES OF A PIPELINE, PUMP-ING STATIONS AND "OTHER FACILITIES" FOR THE SOVIET PETROLEUM INDUSTRY. IN RETURN THE SOVIET UNION WILL INCREASE LONG-TERM SUPPLIES OF CRUDE OIL TO POLAND. THE LOCATION OF THE PROJECTS IS UNSPECIFIED, BUT WE PRESUME THE CONSTRUCTION ENVISAGED BY THIS AGREEMENT IS IN ADDITION TO THE EXISTING POLISH COMMITMENT TO BUILD A SECTION OF THE ORENBURG PIPELINE. NEITHER THE PRICE NOR AMOUNT OF OIL TO BE SUPPLIED UNDER THE NEW PACT HAS BEEN REVEALED, NOR HAVE THE ASSURANCES CONCERNING CEMA PRICE STABILITY WHICH ARE FOUND IN THE 1974 SOVIET-POLISH TRADE PROTOCOL BEEN REPEATED.

3. THE UNDERTAKING IS TERMED AN EXAMPLE OF A NEW AND HIGHER FORM OF COOPERATION IN THE REALIZATION OF THE COMPLEX PROGRAM OF SOCIALIST ECONOMIC INTEGRATION AMONG CEMA MEMBERS. WHILE THE INFORMATION PUBLISHED THUS FAR DOES NOT MENTION SIMILAR AGREEMENTS BETWEEN THE USSR AND OTHER CEMA STATES, THE SOVIET-POLISH ARRANGEMENT SEEMS CONSISTENT WITH RECENT CEMA AGREEMENTS CALLING FOR INVESTMENT WITHIN THE USSR IN EXCHANGE FOR SUPPLIES OF RAW MATERIALS. IT MAY, HOWEVER, BE NOVEL IN ONE IMPORTANT ASPECT: THE POLES APPARENTLY WILL TAKE PART IN PROJECTS NOT DIRECTLY ASSOCIATED WITH THE PRODUCTION OR MOVEMENT OF PETROLEUM TO POLAND. VICE PREMIER JAGIELSKI IS REPORTED BY THE PRESS TO HAVE SAID POLAND CONSIDERS THE PARTICIPATION OF ITS CONSTRUCTION ENTERPRISES IN A FIELD SO IMPORTANT TO THE SOVIET UNION AS THE PETROLEUM INDUSTRY TO BE A TYPE OF RECOGNITION OF POLISH CAPABILITIES. NO SUCH STATEMENT WAS MADE AT THE TIME POLAND ANNOUNCED ITS PARTICIPATION IN ORENBURG PIPELINE CONSTRUCTION, AND WE INTERPRET HAS REMARK TO MEAN THAT POLISH ENTERPRISES WILL BE WORKING ON AT LEAST SOME PURELY DOMESTIC SOVIET PETROLEUM PROJECTS. WE WONDER WHETHER OTHER CEMA MEMBERS SEEKING LIMITED OFFICIAL USE

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LARGER SOVIET OIL SUPPLIES WILL BE INVITED TO PERFORM SIMILAR SERVICES.

4. COMMENT: THE SPEED WITH WHICH THIS AGREEMENT WAS SIGNED (BAIBAKOV AND HIS DELEGATION WERE IN POLAND LESS THAN TWO DAYS) MAKES IT CLEAR THE NEGOTIATIONS HAD BEEN COMPLETED WELL IN ADVANCE. WE HAVE NOT, HOWEVER, NOTICED ANY RECENT DECLINE IN POLISH INTEREST IN NON-SOVIET OIL

SUPPLIES AND IT SEEMS HIGHLY DOUBTFUL THE INCREASED
SHIPMENTS OF SOVIET OIL WILL SPARE EXPENSE
OF IMPORTS FROM OTHER SOURCES.

5. THE USSR SUPPLIED 100PERCENT OF POLISH CRUDE OIL IMPORTS
IN 1972, AND NEARLY 95 PERCENT IN 1973. HOWEVER, THE RATE OF
INCREASE IN POLISH IMPORTS OF THIS COMMODITY HAS
STEADILY DECLINED SINCE 1972. IMPORTS ROSE 23 PERCENT FROM
1971 TO 1972, 15 PERCENT FROM 1972 TO 1973, AND ONLY 2 PERCENT
THUS FAR IN 1974. THE "INCREASE" IN SOVIET SUPPLIES
PRESUMABLY MEANS THAT DELIVERIES WILL RISE DURING THE LIFE
OF THE AGREEMENT, NOT THAT THEY WILL SATISFY POTENTIAL
POLISH DEMAND.

6. WE ASSUME THE COST OF SOVIET OIL UNDER THIS AGREE-
MENT WILL BE LOWER THAN WORLD MARKET PRICES, BUT THE
POLES WILL NOT ESCAPE HARD-CURRENCY EXPENSES. POLAND
HAS TURNED TO WESTERN SUPPLIERS FOR EQUIPMENT TO BUILD
ITS PORTION OF THE ORENBURG LINE AND WILL LIKELY HAVE TO
MAKE ADDITIONAL PURCHASES FROM THESE SOURCES TO CARRY
OUT ITS RESPONSIBILITIES UNDER THE NEW AGREEMENT.
DAVIES

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